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IN THE SENATE OF THE UNITED STATES,

OCTOBER 17, 1893.—Ordered to be printed.

Mr. TELLER presented the following paper from the Journal of the Society of Arts:

PROCEEDINGS OF THE SOCIETY.

INDIAN SECTION.

Thursday, January 19, 1893; Sir Theodore Cracraft Hope, K. C. S. I., C. I. E., in the chair.

The paper read was—

THE CURRENCY PROBLEM.

By J. BARR ROBERTSON.

In a period like the present of widespread depression in trade and industry, and amongst the people generally, the question as to whether this can be traced to any special cause or causes is one of the highest importance. Numerous controversies have been, and are being carried on as to these causes, and out of the conflicting masses of argument and fact, of error and confusion, there is gradually emerging the cardinal idea that the predominant cause is the appreciation that gold has undergone in the last twenty years. In 1885 and 1886 a royal commission sat to inquire into the depression of trade and industry, but it practically failed to find any adequate cause for the troubles to which the inquiry extended. In its third report, however, the question of the altered relations between gold and silver was prominently brought forward; it was accepted as proved that the average prices of commodities in gold money countries had fallen, and that the gold price of silver had fallen, and it was stated that as this depression extended to other countries, and was therefore not the outcome of merely local causes or conditions, the appreciation of gold would be a cause sufficient to account for most of the phenomena into which they had been inquiring. And they recommended that a special commission should be appointed to inquire into the recent changes in the value of the precious metals. But it is very important in passing to emphasise the fact that outside of the questions of the precious metals and the currency, no adequate cause was found to account for the depression.

Yet the depression was there to be accounted for, because the commissioners were fully convinced of the extreme gravity of the situation.

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And since that time the conviction has deepened that the chief cause of the depression is the appreciation of gold. A special royal commission to inquire into recent changes in the relative values of the precious metals has collected a large mass of opinions and facts on the subject, and has found that the gold prices of commodities and of silver have undergone a very considerable fall, which is equivalent to saying that there has been a considerable increase in the purchasing power of gold over commodities and silver. It is, however, one thing to state this as a fact, it is a very different thing to make it so clear to popular apprehension that its full significance will be completely grasped and understood. It will be generally regarded as a truism that there is a great advantage in the prices of commodities being cheap. To buy things cheap, without any sacrifice of quality, is looked upon as one of the great objects to be aimed at in life. And when it is seen that there has been a fall in the prices of the leading commodities, it is often assumed that that ought to be a sign of prosperous times. If things are very cheap, then everyone can get so much more of them for the same money. What more, it may be thought, can be needed to bring home the conclusion that low prices are a great advantage, and correspondingly that high prices are a great disadvantage?

But when we come to look more closely at the subject we see that there are different kinds of low prices. We have low prices of grain, for example, as the result of an abundant harvest, or we have low prices of articles as the result of some economy that has been effected in the cost of their production. The prices of grain, and of these other articles, will therefore be relatively cheaper than those of others in which there has been no abundant harvest, no excessive supply, or no economy in the cost of their production. On the other hand, if there is a deficient harvest, or if some articles can only be produced at a greater cost than formerly, then the prices of the articles so affected will be higher. These changes—and they are going on and must go on continually—are relative changes, that is, some price are higher relatively to a certain general level, and some are lower relatively to that level, and so prices rise and fall in endless diversity. These changes in regard to the prices of commodities are due solely to demand and supply in connection with these commodities. They are natural changes, and they are inevitable. They are not produced under any artificial conditions of restraint, they are produced under the complete liberty of mankind to use their best judgment in selecting and following up the most advantageous fields of production or of occupation that are available for the application of their labour, or their capital. Under such conditions of freedom, more will be produced of some articles relatively to the population than of other articles as compared with former years, and less will be produced of some articles than in former years. But all this is done under free judgment, free production or occupation, and free competition. Under this system one man may become rich or another man may become poor, but all have a free field and an open chance according to their means, their capacities, and their opportunities.

In this country we do not attempt to interfere with prices, however high or low, except in the few cases in which we impose taxation on articles for the purposes of revenue, and in these cases we tax the whole quantity consumed in the country. In every other country of the world, taxes are imposed for purposes of protection, and thus many of the natural prices, as we know them, are interfered with by the arbitrary system of tariffs for the protection of local trade and industry.

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till, that does not prevent, nor should it, prices of commodities from sing and falling in obedience to demand and supply, as modified by he arbitrary effects of tariffs. So that, for our present purpose, prices nder free trade and those under protection may be placed in the same ategory. The prices of individual commodities under either system se and fall in accordance with distinct and ascertainable causes in onnection with demand and supply.

But there is another class of low prices intimately mixed up with, yet riginating in causes totally distinct from, the low prices of the system f demand and supply. The distinction between those two classes of ow prices is one that is hardly sufficiently considered or understood by he general public. This confusion of two distinct things in the popular mind, and the neglect almost altogether of what, in currency considerations like the present, is by far the more important of the two lements, have hitherto formed an insuperable difficulty in the way of popular apprehension of the momentous questions at issue. If we ake the average prices of a considerable number of leading commodities year by year, we may find that these average prices have, as whole, risen very materially over a period of years, or that they have allen very materially. This will be more intelligible if we explain the ystem of index numbers of the *Economist* newspaper. The prices of 2 leading wholesale commodities were tabulated from the year 1845 to 850, and the average price for these years of each article was called 00, so that with 22 articles the total index number was 2,200. On January 1 of each subsequent year, the prices were taken, and in each ase the article was represented by a number above or below 100, according as the price had risen or fallen, and the sum of the 22 numbers was the total index number set down year by year. This total ndex number, therefore, merged all prices high and low in a single igure, and a glance indicated, year by year, how the general level of prices was moving, whether upward or downward.

Some articles might rise in price, and others might fall, but the total index number only showed how, on the average, and as a whole, the total prices had risen or fallen. Now, it will be evident that the prices that rose above the original 100 of 1845 to 1850 might have been balanced by those that fell below that figure; and so we might have had in the total no very great variation year by year from the original 2,200. So long as some prices go up, and others go down, we can not say whether the purchasing power of our money is increasing or diminishing; but when we see the total index number going up or going down, then we know that our money is buying less or buying more of general commodities than it did before. The total index number of the prices of the 22 articles, from 1845 to 1850, was 2,200, but, in 1864, it reached its highest point, namely, 3,787; in 1870 it was 2,689; whereas, in 1886, it was 2,023, the lowest point since these figures were first tabulated. The meaning of this was that, in 1845 to 1850, certain quantities of the 22 articles could have been purchased for £2,200; in 1864 it would have taken £3,787 to purchase the same quantities; in 1870, £2,689; whereas, in 1886, £2,023 would have sufficed. From 1850, therefore, to 1879, gold had diminished in purchasing power, because it took £3,787 in 1864 and £2,689 in 1870 to purchase what only required £2,200 in 1845 to 1850. But, as in 1886 it only required £2,023 to do the same, gold has enormously increased in purchasing power, as compared with 1864 and 1870, and had considerably increased as compared with 1845 to 1850.

At this point, therefore, attention is again drawn to the distinction

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between a range of prices, some low and others high, following t conditions of supply and demand of the 22 commodities, and contin ally changing relatively to each other, but in which the total ind number does not vary much from year to year, and a range of pric continually changing relatively to each other, but in which the tot index number has, for example, fallen from 3,787 in 1864, or 2,689 1870, to 2,023 in 1886. When the total index number is comparative stationary year by year in this country, the purchasing power of go over general commodities is steady; but when the total index numb. falls enormously between one period and another, then the purchasin power of gold over commodities has increased enormously; and whe the total index number falls, for example, 30 per cent., that means tha in addition to the rise and fall in prices, due to the operation of supp and demand, there is a fall of 30 per cent. in all prices, both high an low, due to the increase in the purchasing power of gold. Starting a a given period, like 1845 to 1850, if the same proportion was maintaine between the amount of money in circulation and the uses of the publi for money, the same general level of average prices would be mai tained.

But, if larger quantities of money flow into circulation from abroa as was the case from 1850 till 1870 from the Californian and Australia gold-fields, then, while prices will rise and fall relatively to each othe the general level of prices will also rise in correspondence with th increased quantity of money in circulation, so that all the individua prices, high or low, relatively, will rise higher than they would othe wise have done. This is very strikingly exemplified by the course o prices during the influx of the gold from California and Australia. Th 22 articles, valued, in 1845 to 1850, at £2,200, rose in price; so that, fo the 8 years from 1858 to 1865, the yearly average was £3,038; durin the 10 years from 1866 to 1875, it was £2,877; in the 10 years, 1876 til 1885, it was £2,419; in 1886, it was £2,023; on July 1, 1892, it was £2,081 and on January 1, 1893, it was £2,120. So that we see how this influ of gold raised prices, without any regard to the changes in relativ prices, due to supply and demand, as affecting commodities; and a each of these periods the purchasing power of gold changed, until now average prices have fallen considerably below those of the exceedingly depressed times, before the gold discoveries in 1849 and 1850. During the last 18 years, our supplies of gold have fallen off greatly, as compared with the period from 1850 to 1870, and the number of countries using gold money has considerably increased, and, consequently, our our general level of prices has fallen very much, as shown by the total index number. The purchasing power of gold has correspondingly increased; and this will be more completely exhibited in the table following. The object is to compare the various ranges of prices from a period before Germany began to demonetize silver and to adopt the single gold standard, up to the present time. The five years, from 1865 to 1869, have been chosen for this purpose; and the total index numbers during these years give an annual average of 3,102 for the 22 articles. In the table, in order to render the movements of the index number clearer, we have taken 3,102 as equal to 100, and made the other calculations accordingly, so as to deal in percentages.

The figures in column 1 show the movements of English prices in the last 23 years. In 1886 they had fallen 35 per cent., and on January 1, 1892, the total fall was 31 per cent., on July 1 33 per cent., and on January 1 of this year 32 per cent. Therefore it is absolutely incontestable that between the first period and the last date in the table,

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ld had so much increased in purchasing power that £68 would purase the same quantities of the 22 staple commodities of the *Econoist* as would have required £100 in the period from 1865 to 1869; and glance at the table will show the varying course year by year of the ll in prices.

Passing to column 2, we have here the *Economist* index numbers lued in par silver in London at the current rates. After 1872 the iantity of silver that could have been bought for gold increased, and commodities were worth a higher silver price than the gold price, as mpared with the period before 1873. The gold index number and ie silver index number both started at 100, and they continued the me until 1873, when the effect of the adoption of the gold standard y Germany, and the demonetisation of silver began to be felt, and fter this France, and the other members of the Latin Union demonesed silver. In consequence of these movements, the gold valuation f prices and the silver valuation began to diverge from each other, ntil on January 1, 1893, the gold valuation had fallen to 68, while he silver valuation stood at 107. This will perhaps be made clearer we state that while at the end 68 ounces of gold would purchase as uch of the staple commodities as 100 ounces at the beginning of the eriod under review, in the case of silver 101 ounces would on July 1, 892, purchase as much as 100 ounces did at the beginning, and 107 upees would purchase in London on January 1, 1893, as much as 100 upees did in the former period.

TABLE I.

	The "Economist" index numbers of 22 leading commodities.				Mr. Sauerbeck's index numbers.	
	Column 1.—Index numbers. Gold prices January 1. 100=3102.	Column 2.—Prices in column 1, as valued in London in bar silver.	Column 3.—Increase in purchasing power of gold, as shown by prices in column 1.	Column 4.—Increase in purchasing power of silver, as shown by prices in column 2.	45 leading commodities. Gold prices. Average of year.	Gold value of bar silver in London. Average of year. 100=60.84*d.* per ounce.
			Per cent.	*Per cent.*		
1865 to 1869	100	100	Par	Par.	100	100
1870	87	87	15	15	96	99.6
1871	83	83	20	20	100	99.7
1872	91	91	10	10	109	99.2
1873	95	96	5	4	111	97.4
1874	93	95	8	5	102	95.8
1875	90	94	11	6	96	93.3
1876	87	95	15	5	95	86.7
1877	88	93	14	8	94	90.2
1878	81	91	23	10	87	86.4
1879	71	87	41	15	83	84.2
1880	82	95	22	5	88	85.9
1881	77	91	30	10	85	95.0
1882	78	91	28	10	84	84.9
1883	75	90	33	11	82	83.1
1884	72	86	39	16	76	83.3
1885	68	82	47	22	72	79.9
1886	65	84	54	19	69	74.6
1887	66	87	51	15	68	73.3
1888	72	98	39	2	70	70.4
1889	71	101	41	—1*	72	70.2
1890	72	98	39	2	72	78.4
1891	72	90	39	11	72	74.1
1892	69	95	45	5	68	65.3
1893	68	107	47	—7*		
July 1, 1892	67	101	50	1	67.8	65.9
Oct. 1, 1892	66	105	51	—5*	66.8	62.7

*Decrease in purchasing power, that is, depreciation of 1 per cent., 5 per cent., 7 per cent.

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Now let us pause for a moment and estimate the enormous signi cance of this result of the movements of gold and silver prices duri the last quarter of a century. The foreign producer in a silver mon country like India, sends his merchandise to London in competiti with English merchandise, and sells it side by side with the Engli merchandise in the same market, and it may be out of the same wai house. The foreign and the English goods have been sold in Lond for a quarter of a century on exactly the same conditions, and at exact the same price for equal qualities. But the English producer wl began by getting £100 for a certain quantity of his produce no gets only £68 for every £100 that he formerly received; whereas tl Indian producer, selling at the same gold price in London as the En lish producer, received on July 1, 101 rupees for every 100 rupees tha he received in the period from 1865 to 1869, and on January 1, 189 he received 107 rupees. The consequence is, that with all conditions demand and supply of commodities affecting equally both foreign an domestic merchandise, within a quarter of a century the domestic pr ducer was receiving in July 33 per cent., and in January 32 per cent. les money for his merchandise in the London market than he received at th beginning of the period, whereas the Indian producer was receiving 1 pe cent. more of his money in July and 7 per cent. more in January thai he received in London at the beginning of the period. It must b remembered that we are dealing with commodities in this country, an not with exclusively Indian products, the object being to contrast gol prices and silver prices in the same market.

Further, it is most important to remark that the purchasing power o silver, the money of the Indian producer, had not depreciated in regard to commodities until 1892. A glance at column 2 will show that silver prices had fallen, that is, that the purchasing power of silver had increased during the whole period except in 1889, and on July 1, 1892, when it required 101 ounces of silver to purchase what formerly required 100 ounces, and it is only since that time that a depreciation, amounting in all to 7 per cent., has taken place. So that in London silver prices have risen to a small extent. But gold prices which were on a par with silver prices up to 1872, are now 32 per cent. lower than they were in 1865 to 1869.

Passing now to column 3, it will be seen that, in its command over commodities, gold had increased in purchasing power to the extent of 54 per cent. in 1886, and to 47 per cent. at the end of the period. A sum of £68 will now purchase what formerly required £100, and in column 3 we see year by year the changes in the purchasing power of gold. In 1872 £100 would purchase commodities which, in 1865 to 1869, would have cost £110, in 1882 it would purchase £128 worth, and in 1886 £154 worth. On 1st July, 1892, £100 would purchase what would have formerly cost £150, and on 1st January, 1893, what would have formerly cost £147.

While it is almost universally stated that silver has depreciated, a glance at column 4 will show that, except on three occasions, silver has during the last twenty-three years been appreciated. In 1872, silver and gold were together, and 100 ounces of silver would purchase as much as 110 ounces would have purchased in 1865 to 1869; in 1882, the 100 ounces had also a purchasing power of 110 ounces; in 1886, of 119 ounces; and on July 1, 1892, the 100 ounces had a purchasing power of 99 ounces; and on January 1, 1893, of 93½ ounces of the value from 1865 to 1869.

In corroboration of the fall in the gold prices of commodities, we are

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ıdebted to Mr. A. Sauerbeck for the index numbers of forty-five lead-
ıg commodities in London which are included in the foregoing table.
he final results are almost exactly the same as those of the *Economist.*
[is figures for the period from 1865 to 1869 average 100, and his figure
›r 1892 is 68 against the 69 of the *Economist*, on January 1, 1892, and
3 on January 1, 1893. Mr. Sauerbeck's figure for September is 66.8;
nd this he declares to be the lowest touched during this century.

A further fact has now to be recorded. The gold price of silver fell
uring the period under notice, from 60½d. to 40⅜d., on July 1, 1892,
nd this was a fall from 100 to 66.4, while commodities fell to 67: so
hat here we have the extraordinary result of the *Economist's* 22 com-
ıodities, Mr. Sauerbeck's 45 commodities, and bar silver in London,
ll steadily falling for a quarter of a century, and in July, 1892, all
.rriving at practically the same point, namely, 67. Considering the
mmense field for variations, the correspondence between the three was
›omething which we could hardly have regarded as possible. But it is
ı striking evidence of the extraordinary stability of silver in its pur-
›hasing power over commodities as compared with gold during such a
long period, and of its steadiness as a standard of value. On the other
hand, the fall in the gold price of commodities, and of silver, to the
extent of 32 per cent., is an equally striking evidence of the instability
of gold during the same period, and of its entire unreliability as a stan-
dard of value.

In considering the movements of gold prices and silver prices it has
been thought better to take the articles as valued both in gold and in
silver in London, and so we have recorded the figures as if both a gold
currency by itself and a silver currency by itself were in operation in
this country. It is most important to point out that the difference
between the index number of gold prices and that of silver prices is
solely and exclusively a difference of currency. It is so often stated
when comparing gold prices and silver prices in separate countries
that there are many disturbing elements to be taken into account, that
both gold and silver prices in London have been expressly calculated
so as to make an exact comparison of the action of gold and silver on
prices in the same market where there are no disturbing elements.

But while the limits of our space forbid the presentation of the
details of the 22 commodities separately, there is one paramount article
of production, both in this country and in India, the particulars of
which it will be highly interesting to present in some detail. I refer
to wheat. There has recently been a lengthened correspondence in the
Times on wheat-growing, and the profits and losses arising therefrom;
and in this controversy the leading agriculturists of the country have
explained their view, although it does not seem that they propounded
any available remedy for the extraordinary depression in the prices of
grain. In fact, they have failed to give any account of causes sufficient
to produce the depression. It is believed, nevertheless, that the princi-
pal cause of the troubles from which our agriculturists are suffering
can be shown. The following table gives the movements in the prices
of Indian and British wheat since 1873. The Indian figures are taken
from the Government of India's publication, "Prices and Wages in
India," 1892, p. 125. The prices of the two classes of wheat for Jan-
uary, 1873, have been taken as 100 in the official tables, and the gold
prices are calculated from the table in the *Economist.* It may be
explained that the index number of the latter for wheat was taken at
100 for the period from 1845 to 1850; that in 1865 to 1869 the average
of the five years was again 100; and that in 1872 and in 1873 it was

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104. In the following table, for the sake of exact comparison with the Indian per-centages, the 104 of the *Economist* in 1873 has been taken to be equal to 100, and the other figures calculated accordingly:

TABLE II.

Indian and British Prices of Wheat.

Year.	Bombay prices.		London prices.	
	Column 1. Khandwa Seoni, January.	Column 2. No. 1, soft white, January.	Column 3. The *Economist* Gold Prices. January 1st.	Column 4. Column 3 valued in bar silver.
1871	57	87	96	96
1872	87	86	100	100
1873	100	100	100	101
1874	77	75	111	114
1875	74	80	77	81
1876	76	84	81	88
1877	90	93	93	98
1878	106	119	94	106
1879	131	116	72	87
1880	157	115	85	98
1881	82	96	79	93
1882	81	97	81	94
1883	88	87	74	89
1884	66	86	70	84
1885	66	74	58	70
1886	81	80	55	70
1887	97	89	63	84
1888	100	86	56	76
1889	103	95	55	78
1890	90	84	54	73
1891	93	87	59	73
1892	118	103	67	93
Average of 22 years, 1871 to 1892	91	92	76	88
July 1st, 1892			57	86
Jan. 1st, 1893			47	74

The average price of Indian wheat during the 22 years, with 100 as the price for 1873, was 91½ for both classes, and in January, 1892, the two classes stood at 118 and 103 respectively. On January 1st, 1892, the London gold price, which in 1872 and 1873 was at 100, had fallen to 67, on July 1st, 1892, it had fallen to 57, and on January 1st, 1893, as low as 47. But, when the silver price in London is examined, it is seen that it stood at 100 in 1872, the same as the gold price; and when the latter stood, in January last, at 67, the silver price was at 93; and when it fell further, in July, to 57, the silver price was at 86, though now the prices are respectively 47 and 74. On the other hand, the average silver price of the 20 years was 88, as compared with the Bombay average of 91½, and this higher price in India might be partly accounted for by the fall during the period in freight and other charges from Bombay to London. But it is not expected that there should be an identical price as between Bombay and the silver valuation in London, because the wheat is valued in markets widely apart and with great opportunities of practical variation in price in connection with the varying charges of transfer to London as well as in connection with local conditions of demand and supply in India itself. But it is none the less satisfactory to find that the silver price in London is only 3½ per cent. less than that in Bombay on an average of the last twenty-two years, and it must be remembered that any decrease in charges between Bombay and London would add to the price in Bombay. As it might possibly be thought that this difference is in some way con-

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nected with the ordinary shipping charges, it may be well to point out that the Bombay prices and the English gold and silver prices all started at 100, and thus the Bombay price would only be affected by economies in transit charges.

In the above table, column 3 represents the gross returns to the British wheat-grower, and column 4 represents the gross returns in silver in London to the Indian wheat-grower. The English grower and the Indian grower both started in 1872 by getting 100, but by 1886 the former was only getting £55 for the quantity of wheat that in 1873 brought him £100, while the Indian grower in 1886 was getting 78 rupees for what had formerly yielded him 100 rupees. On July 1st, 1892, when the English grower was only receiving £57 instead of £100, the Indian grower was receiving 86 rupees as against 100 in 1872. The Indian grower who started in 1872 by getting the same price as the English grower, received in July 1892 in London 51 per cent. more in his money than the English grower received in his, and on January 1st, 1893, he received 57 per cent. more. If the English currency had been of silver and the Indian currency had been of gold, then their positions would have been reversed. The English grower would in that case now be receiving £74 where he receives but £47, and the Indian grower would be receiving but 47 rupees where he is really receiving 74. And it must be recollected that silver, so far from being depricated in purchasing power as against wheat is considerably appreciated, that is in July the Indian grower only received 86 rupees in London for wheat which in 1873 brought him 100 rupees, though on January 1st, 1892, he received 93 rupees, so that no claim whatever can be made that the difference is due to the deprication of silver. In fact the figures in both of the foregoing tables show beyond the possibility of being successfully disputed, that silver, as regards its purchasing power over the 22 commodities and over wheat, has been greater in nearly all of the last 22 years than in 1865 to 1869, but gold is shown to have increased in purchasing power to a far greater degree than silver. In England and in India therefore we have two distinct currencies which have both appreciated in purchasing power over the leading commodities, but the index number of the silver valuation in London of the 22 commodities, though at the beginning of 1892 not up to the level at which it stood 20 years ago, had nevertheless on July 1st just reached 1 per cent. above the former level, and on January 1st 7 per cent., after remaining during nearly the whole period below it.

Now a great deal is said of the competition of wheat from the plains of Russia and India, and from the prairies of the United States. It is so evident that very large quantities are being poured in at every harbor, that most people accept this fact as conclusive that that is the cause of the low prices in this country.

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So far as the United Kingdom is concerned, the following table will show certain figures of very great importance in this controversy:

TABLE III.

Wheat.—United Kingdom. Per head of the population.

	Net imports per annum.	Home produce per annum.	Total foreign and home produce per annum.	Gazette price per quarter.	
	lbs.	*lbs.*	*lbs.*	*s.* *d.*	
Average of 8 years, 1872–'79	184.68	172.77*	357.45	51 2	A fall of 36 per cent.
1884	191.57	144.75	336.32	35 8	
1885	237.81	139.33	377.20	32 10	
1886	187.79	109.93	297.72	31 0	
1887	223.63	131.26	354.89	32 6	
1888	223.49	127.30	350.79	31 10	
1889	219.03	128.65	347.68	29 9	
1890	226.38	127.79	354.17	31 11	
1891	244.06	124.58	368.64	37 0	
Average of 8 years, 1884–'91	219.23	129.20	348.43	32 10	
1st Jan., 1893				25 8	

* This figure 172.77 is calculated from Lawes and Gilbert's figures in "Journal of the Statistical Society," vol. 43, 1880, p. 330, while the 184.68 is calculated from figures in the "Statistical Abstract." The net imports from 1884 to 1891 are from the "Statistical Abstract," and the home produce is calculated at 63 lbs. per bushel from Tables given there. But there are no official figures for the home produce of wheat before 1884, and Lawes and Gilbert's only come down to 1879. This is the reason of the gap from 1880 to 1883.

It will thus be seen that in the eight years, 1872–79, the total quantity of wheat consumed in this country was 357.45 lbs. per head of the population, at the average price per quarter of 51s. 2d., whereas in the eight years, 1884–91, the consumption per head of the population was only 348.43 lbs., and yet the average price was as low as 32s. 10d. This was a fall on the average of 36 per cent. Can it possibly be that with a less consumption, that is with less wheat sold in the markets of the United Kingdom in the latter period than in the former, there can be any contention that the smaller supply per head of the population could only bring 32s. 10d., while a larger supply in the earlier period should bring 51s. 2d., if the cause was only one of supply and demand? These figures are conclusive that the fall in price is not really due to excessive supply, because there was no excessive total supply. It is true that the foreign wheat has increased very considerably in the latter period, but the total amount has not increased, and, therefore, if the question were one solely of demand and supply, why should the price have fallen at all?

If a clear indication were wanted as to excessive supplies of wheat as compared with other commodities, reference might be made to columns 1 and 2 in Table I., and to columns 3 and 4 in Table II. It will be seen that in the former Table 100 is the average of 1865 to 1869, and as we have already explained, the *Economist* index number for wheat from 1865 to 1869 is 100, and the figure for 1872 and 1873 is 104, which, however, was changed to 100, so as to bring the comparison in exact line with the Indian official figures for 1873. But taking January 1st, 1892, in Table I., we have the 22 commodities standing at 69 for gold, and 95 for silver, and if in Table II. the difference between 100 and 104 is added, so as to make comparison of 100 for wheat from 1865 to 1869, then the special wheat figures will be 70 and 97 for gold and silver respectively, on January 1st, 1892, against 69 and 95 for the 22 com-

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modities. This clearly demonstrates that wheat at that date was rather higher in comparative price than the average of the 22 commodities, and therefore that the wheat grower, grievous though his troubles might be, was slightly better off as to his relative price than the other producers in the leading industries of the country. Since then, wheat has, however, fallen much more than the average of the 22 commodities.

When the relative positions of the Indian and English growers of wheat are compared, though they both sell at the same relative price in London, the Indian has an immense advantage in one thing, and only one thing: he has a currency rather appreciated in the last quarter of a century, but still that yields him now, in silver, 57 per cent. more of his money than the English grower is getting in gold, as compared with prices ruling from 1865 to 1869. He does not sell at a very low price in his own money, as we see he was getting 97 rupees in January, 1892, against 100 rupees twenty-five years ago. If the English grower could only have got £97 at the beginning of 1892, and been on the same footing as to present and past returns as the Indian, it is perfectly certain we should not have heard anything of excessive competition; but where the English grower has been so grievously injured is, that while the prices of wheat have fallen to such a low point in 25 years, his rent, wages, and other expenses have not fallen in a corresponding degree, or, rather, they did not fall as the price of wheat fell. He has been taught, by leading authorities on this question, that the fall has been due to bad seasons, to excessive competition from abroad, and to other causes; and he has been led to hope that the present state of things will, if let alone, right itself, and another era of prosperity soon spring up. But it is a fact that the yield of wheat per acre in all the wheat-growing countries of the world beyond these shores is gradually diminishing, and the populations of the world are nearly all increasing, and some of them very rapidly, and thus requiring larger supplies of wheat. When, however, the English grower sees, in the midst of his adversity, and at a time when he regards wheat growing as something almost to be despaired of, that the Indian grower is in the enjoyment of a much higher relative price and a very high degree of prosperity from his wheat fields, the former will perhaps begin to think that it can not be wheat growing that is so unprofitable that there must be some other cause apart from occasional bad seasons, or from the demand or supply of wheat throughout the world, with which the English grower has to contend, and from which the Indian grower is free.

The Causes of the Fall in Gold Prices.

The question thus naturally arises as to the cause or causes that have led to this fall. Judging from the operation of the laws of supply and demand, one might expect to find that there is less gold in circulation compared with the transactions in which gold, or money on the gold standard, is required, than was the case twenty-five years ago. It can be said with positive certainty that if there had been more money in circulation in the gold standard countries during the last twenty-five years, prices would have been higher, indeed prices would have been maintained at the level of twenty-five years ago if there had been money enough to effect that object. And therefore conversely, if average gold prices have fallen, it is because the supply of gold in the gold money countries has fallen off relatively to the transactions requiring the use of money. This will very probably be disputed, if one may judge from the writings of latter-day commentators on the currency, though hardly any proposition in the whole field of monetary science has had such

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conclusive practical illustration in all countries and all ages, and been so universally accepted. There are the words inflation and contraction of the currency to describe the phenomena referred to, and it will hardly be doubted that abundance of historical examples of both conditions can be found, and at present the Indian rupee is at approximately the same level of purchasing power as it was 25 years ago, yet its former gold price was 1s. 11d., and it is now 1s. 3d. But while the gold price of the rupee has thus fallen so much, gold prices of commodities in this country have also fallen very greatly. On the other hand prices in the Argentine Republic, to take one example, are enormously inflated, and so we have before us as compared with the period from 1865 to 1869, stable prices in India, low prices in England, and high prices in the Argentine Republic, all in accordance with a stable currency, a contracted currency, and an inflated currency. When the civil war closed in the United States, prices in greenbacks were very much higher than in gold because of the excessive quantity of paper money in circulation, but in 1879, when specie payments were resumed, the difference between gold prices and greenback prices had disappeared. The cause of this disappearance was partly the contraction of the paper currency, and partly the increase of population and of business requiring more money. Chili has just raised money by loan to enable it to withdraw part of its paper money, and thus reduce the volume of its currency so as to bring it to the level of gold, the paper currency having been over issued in nominal amount as compared with the gold standard, and thus depreciated below the level of gold, that is, causing prices for commodities in paper money to be higher than in gold.

The Indian Government are considering whether they should not raise the gold value of the silver rupee by suspending the coinage of silver, that is, by contracting the silver currency until the rupee rises to the fixed gold price. The quantity theory of money is so perfectly recognized in practice, that the Indian Government do not for a moment doubt that the contraction of the rupee currency would raise the gold value of the rupee.

But in estimating the causes of the fall in the gold prices of commodities, we are confronted with the opinion expressed in Part II. of the final Report of the Gold and Silver Commission by the members who favored monometallism as follows:

"We believe the fall [in the gold prices of commodities] to be mainly due, at all events, to circumstances independent of changes in the production of, or demand for, the precious metals, or the altered relation of silver to gold."

This passage is quoted in the *Economist* of October 29, 1892, to confute Mr. A. J. Balfour's contention in his speech at Manchester on October 27 last, when he said—

"And can we claim that great quality for a standard [namely, 'as a permanent record of the debts and obligations lasting through long periods of time'] which, by the admission even of the monometallists themselves, has appreciated in some 15 years no less than 30 or 35 per cent, and of whose appreciation no man living under the existing system can prophesy the limits?"

We find, also, the same passage doing duty in the Indian Press and with the Indian Currency Association in a way that brings it down from the region of mere fugitive theory to the decisive test of a proposal to apply it to the case of the Indian currency. Accepting and following up the views quoted above from the Monometallic Commissioners, they argue thus:—

"It is reasonable, therefore, to infer that the introduction of a gold standard will not injuriously affect prices in India, as suggested by the Currency Association, especially if the change be gradual."

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This proposal is perfectly reasonable, if the Monometallic Commissioners are right in saying that the fall in gold prices is mainly due to circumstances, independent of changes in the production of a demand for the precious metals. If the fall in gold prices has little or nothing to do with changes in regard to gold and silver, then the argument is unanswerable, that a contraction of the Indian currency and a rise in the gold price of the rupee will not injuriously affect Indian prices. To carry this argument to the concrete case proposed in India—namely, to suspend the coinage of silver, and gradually by this means contract the currency, until the rupee shall be worth 1s. 6d. or 1s. 8d., instead of 1s. 3d., as at present, the contention of the Monometallic Commissioners being that, as the fall in the gold prices of commodities and of silver is mainly due to circumstances, independent of changes in the precious metals, the Indian advocates of a gold standard say, therefore, that the rise in gold price of the rupee will be independent of changes in the precious metals, and will not be attended by any material change in Indian prices; and thus the contraction of the rupee from 1s. 3d. to 1s. 8d. can be carried, with little change, and with perfect safety. This would be, however, to assume that 1s. 8d. is the same as 1s. 3d.; while a glance at a table of cost of Indian commodities laid down in London would at once show that, with a fixed gold price in London, and a change in the rupee from 1s. 3d. to 1s. 6d. or 1s. 8d., the price of an article in India must be correspondingly lower. When we come to positive figures, imaginary conditions must give way.

We must, therefore, protest emphatically against this dangerous doctrine, promulgated by the conservative monometallic members of the Gold and Silver Commission, because in the whole report this is the only really dangerous doctrine which receives any commendation. But our friends in India have already given it a serious blow, by proposing to act upon it, because we may feel perfectly assured that no statesman, either in India or in this country, would for a moment approve of any attempt to take the risk of such a step being followed by little or no change. If a gold standard or a gold currency is to be introduced into India, it will be on the ground that every change in the volume of the currency relative to the business in which currency may be required, shall make a change in Indian prices. If the gold price of the rupee is to be raised by suspension of the rupee coinage, Indian prices must fall in a corresponding degree, and it is for those interested in Indian prices to say whether they are prepared for such a fall. The question of a gold standard for India is not at present being discussed, and it is only touched upon here as illustrating the action on prices of changes in the volume of a country's currency. The present point is, therefore, to emphasise that no Indian or British statesman will venture to recommend or adopt for India a monetary policy which does not take into account the quantity theory of money as the sole, or almost the sole, instrument in producing changes in the average prices of commodities.

Changes in the volume of money, or in the transactons to be carried out by money, have as complete an effect on the prices of commodities as changes in the supply of and demand for commodities. Two distinct things are being dealt with—money and commodities—and both are widely distributed over the world. There are from time to time changes in the quantity and in the uses of money, and there are also changes in the supply of and in the demand for commodities; but whatever their independent fluctuations may be, there is always a relation between money and each commodity, and this relation is expressed in

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the price of the article. There is, however, a distinction to be drawn, namely, that while each commodity is only one of an almost innumerable variety of articles to which a price is always attached, the one article money is always being offered against, and measured against, all existing commodities. So while at any one time the money of the gold standard, for example, has only one value, or one purchasing power, the commodities in which it is valued, and to which it affixes a value, have as varied a price, or purchasing power, as against money, or against each other, as there are commodities in existence. Thus money is being continually measured against all purchasable articles, and its purchasing power is thus tested and adjusted daily and hourly to thousands of articles. But each of these articles being only one in thousands, it is impossible that each separate commodity should as rapidly and exactly adjust the changes in its price to the changes in demand and supply in regard to the article as is the case with money, which is all the time measuring itself against all commodities, and thus keeping the volume of money in circulation continually and completely adjusted to the transactions to be carried out by money.

It would be strange indeed if demand and supply could regulate the prices of thousands of articles, and that yet demand and supply in regard to the single article money, in which they are all valued, should not have a corresponding influence. The truth is, that from the necessities of the case, demand and supply are more potent and more rapid in their action on the one universal article money than they are on the varying prices of numerous commodities. Money is seeking for and measuring commodities, and commodities are seeking for and measuring money, and so there is continual competition between them. They are both subject to the conditions of supply and demand, and to those who doubt this, we would take a homely illustration and ask, which of the two limbs of a pair of scissors does the cutting? There are two limbs essential to one operation, namely, cutting, and there are two conditions, the volume of money and the volume of transactions to be performed by money, essential to the price of one or of all articles. It is true that one limb of the scissors may be sharper than the other, and may thus contribute more to the cutting; and it is also true that the volume or purchasing power of money is more active in adjusting itself to changes in supply and demand than a vast number of commodities can be with their endless fluctuations, because the purchasing power of money over commodities is the average of all these fluctuations.

In support of this undoubted fact of the greater sensitiveness of money to changes in its volume and uses, that is, to its supply and demand, than of commodities to changes in supply and demand, we might instance the effect produced at the Bank of England by the arrival of £2,000,000 or £3,000,000 of gold. If the internal trade of the country is not in a position to absorb it, the bank is forced to lower its rate of discount until, by means of the foreign exchanges, the gold is drained away. The effect of the arrival of the gold is clear and unmistakeable, and its departure is equally so. And if we take gold bullion or coin as an article of international trade, there is no other article in the whole field of commerce that is so mobile, whose exact value in the markets of the world is so well known from day to day as gold, because it is the material of the standard money of the leading nations of the world. Of all articles of commerce gold is bought and sold by bullion dealers at the narrowest margin of profit; it moves from one country to another at a smaller advance in price than any other article of commerce, and it moves with a rapidity that no other article in practice can equal. The variations in the price of gold

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are minute, but it is more sensitive to a small change in price than any other article. The consequence is that there is no article so completely adjusted in purchasing power to its supply and its uses as gold. If the gold prices of commodities fall unduly in the United States, gold will at once flow by the fastest mail routes to take advantage of the low prices; but if the gold prices rise unduly in the United States, commodities can only be moved to these markets after considerable delay, to take advantage of the high prices. It is incontestable, therefore, that money is far more mobile than commodities, and is more easily and completely adjusted in its volume to its uses than commodities are to changes in demand and supply. The consequence of this is that, other conditions remaining the same, the average prices of commodities will fall in proportion to the contraction of the volume of the currency in which they are valued.

TABLE IV.

Production in the World of the Precious Metals.

		Gold per annum.	Silver per annum.	Total gold and silver per annum.	Silver purchased by the United States and coined into dollars or held in bullion, and thus used as gold, per annum.
		£	£	£	£
1846		5,850,000	6,500,000	12,350,000	.....
1850		18,650,000	8,300,000	27,450,000	.....
Periods of five years.	1852–56	29,880,000	8,120,000	38,000,000	.....
	1857–61	24,720,000	8,300,000	33,020,000	.....
	1862–66	22,700,000	10,060,000	32,760,000	.....
	1867–71	23,700,000	10,520,000	34,220,000	.....
	1872–76	22,040,000	13,460,000	35,550,000	.....
	1877–81	22,060,000	*18,828,000	40,888,000	*4,215,000
	1882–86	20,540,000	*22,868,000	43,408,000	*5,772,000
	1887–91	23,409,000	*31,460,000	54,869,000	*8,781,000
1891†		25,060,000	*37,120,000	62,180,000	*14,066,000

* These are coining values at the United States ratio of 16 to 1 of gold, that is about 59d. per standard ounce of silver. The commercial values of the silver production per annum are £16,647,000, £19,135,000, £23,860,000, and £28,365,000, respectively.

† The figures for 1891 are repeated by themselves, to show the latest returns, particularly as regards the purchases of the United States.

The next question to be considered is the production of gold and silver, and Table IV gives an abstract of the figures from 1846 till 1891.

The above figures from 1846 to 1876, are those of Sir Hector Hay, and those from 1877 to 1891 are from the report of the Director of the United States Mint.

As this country is on the gold standard, and as we have no gold mines of our own, the following table will show the movements of gold since 1858, when the official statistics of gold first began to be recorded:—

TABLE V.

United Kingdom.—Gold.

Periods of five years.	Total net imports.	Total net exports.	Average per annum.
	£	£	£
1858–62	16,203,057	.....	4,100,363
1863–67	32,131,547	.....	
1868–72	18,159,364	.....	
1873–77	15,513,292	.....	
1878–82	.....	3,864,277	402,368
1883–87	.....	159,401	
1888–92	26,310,032	.....	5,262,006

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These figures are based on the details given in the Statistical Abstract, except for 1892, which is from the Board of Trade returns.

The average net import per annum in the twenty years, from 1858 to 1877, was £4,100,363, and in the ten years from 1878 till 1887, during which there was no balance of gold in our favour, the net export per annum was £402,368. There was thus a total deficiency of £45,000,000 of gold between 1878 and 1887, as compared with the average of the twenty years from 1858 to 1877. The five years, however, from 1888 till 1892, show a net import per annum of £5,262,006. It must be considered that, with the increased population of the later periods, it would have required a larger amount of gold to maintain the same level of prices as in the period from 1858 to 1867, whereas there has been an enormous decrease. Even if allowance is made for the economy in the use of money by the development of banking facilities, we should be entitled, from the above figures, to assume with perfect certainty that there must have been a considerable fall in the gold prices of commodities, not only in this country but wherever the gold standard prevailed. And it must be remembered that while we exported gold to the extent of £4,023,678, in the ten years from 1878 to 1887, the gold used in the arts during that period, estimated at £24,000,000, had to be withdrawn from the gold in circulation, so that we thus account for a positive withdrawal from the stock of gold in circulation in this country, amounting to £28,000,000, whereas we ought to have had the £28,000,000 and £17,000,000 in addition for new coinage. The reason why it was impossible we could have obtained the same supply of gold was that Germany, Sweden and Norway, Holland, the United States, and Italy all changed from silver or paper money to gold, and they made a new demand for gold amounting to about £225,000,000, without any new or increased supplies of the metal in the world, and, inded, in the face of a falling off in its annual production. Thus, the countries formerly on the gold standard could get none of the annual supply from the mines, and had to submit to a serious contraction of their gold currencies.

Sir Robert Peel's celebrated question was, what is a pound? and to that question he replied that it was "a quantity of the precious metals, of certain weight and certain fineness." He did not say it was gold, though he afterwards recommended gold. It is commonly assumed that a pound or a sovereign is a standard of value, when in reality it is only a piece of coined gold of certified weight and fineness. So far from having a permanent uniform purchasing power, what the prices of commodities show is that a sovereign will purchase 50 per cent. more than it did 25 years ago. It is, however, in common use as a measure of value, though an examination of the prices of the last 30 years would show how fluctuating its purchasing power has been, namely, in the proportion of 3787 in 1864 to 2120 in 1893, accordingto the *Economist's* figures. On account of these fluctuations, and the extremly low point to which the range of average prices of commodities has now fallen, the important question to which attention has for the last 16 years been directed, is the instability of gold as a standard of value.

In the "Monetary Question of 1892," by Mr. Ottomar Haupt, there are some very important statistics in regard to the supply of money in the world. Mr. Haupt is one of the highest living authorities on monetary statistics, and we gladly avail ourselves of his labours to illustrate our subject. He has made calculations for the end of 1885 and for the end of 1891, of the money in the following countries, namely, Austria, Belgium, England, France, Germany, Holland, Italy, Portugal, Russia, Scandinavia, Spain, Turkey, other European countries, United States,

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and Australia. Deducting from the total amount given by him, the amounts apportioned to Austria and Russia, as neither of these had the gold standard, though they had large quantities of both gold and silver, we arrive at the following figures:—

TABLE VI.

Money in the Gold Standard Countries.

	End of 1885.	End of 1891.
Gold	£608, 000, 000	£644, 000, 000
Silver	263, 000, 000	320, 000, 000
Silver fractional currency	98, 000, 000	91, 000, 000
Uncovered paper money	205, 000, 000	240, 000, 000
	£1, 174, 000, 000	£1, 295, 000, 000

There are a few countries left out, regarding which it is difficult to arrive at precise figures; but, nevertheless, the above may be taken as a close approximation to the amount of money in the world's currencies that were on the gold standard at the end of 1885 and of 1891. The answer, then, that we make to the question "What is a pound?" is that it is £1 sterling in £1,295,000 sterling, all circulating the same as if they were entirely gold, and carrying on the monetary business named above. These countries, being on the gold standard, have all the same relative prices. But, when the above figures are examined, it is seen that, at the end of 1891, the actual gold entering into the money of the gold standard countries was less than one-half of the whole of the money in these countries. To that extent, therefore, the term gold standard is a misnomer, because it is really a standard of gold, silver, and paper money. It might perhaps be thought that the £644,000 of gold determined the value of the silver, the fractional currency, and the uncovered paper money, and that these followed the value of gold without themselves affecting the value of gold. But it is not so; the £644,000 of gold is the supply of gold that went to determine its purchasing power as part of £1,295,000,000, all valued as gold. The annual supply of gold from the mines, if taken at £25,000, is a mere fraction of the stock at any time, and so it has very little effect upon the purchasing power of gold, particularly as about one-half of it is absorbed in the arts, and only about £12,500 can be available for new coinage, and for keeping up the wear and tear of the coinage; so that only this latter amount can have any effect upon prices, that is, less than 1 per cent. of the gold standard of £1,295,000. Then it must be remembered that the population in the gold countries are increasing, and thus requiring more money; while, since the beginning of 1892, Austria-Hungary has entered upon the gold standard; and it will require to accumulate about £20,000,000 of new gold, that is, nearly two years of the total gold supply available for coinage, leaving no new gold for coinage in the other gold standard countries during that time.

The reason why the term gold standard is used in these circumstances is because gold alone in these countries has the privilege of being coined for private holders. The silver, the fractional currency, and the uncovered paper money exist by regulation of the Governments. The latter are bound to coin all the gold that may be offered for that purpose, and so the term gold standard is applied to the money in these countries. It is evident, however, that if the money of these countries was confined

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to gold, its purchasing power would be enormously greater than at present, and the prices of commodities which were at 100 in the period from 1865 to 1869, as in the table calculated from the *Economist's* figures, and at 69 in 1892, would be at 30, or thereabouts, and wheat, instead of being at 26s., would be at probably, 12s. per quarter. The addition however, of £650,000,000 of money that is not gold, but yet passes as if it were gold, to the £644,000,000 of actual gold, makes it possible that wheat should be at 26s. instead of 12s., and the *Economist* index number for the 22 commodities at £68, instead of at £30. This addition reduces the purchasing power of gold by more than one-half, that is, causes the gold prices of commodities to stand at more than double what they would be if the money consisted solely of gold. But to bring wheat back to 45s., and the prices of the *Economist* from £68, in 1893, to £100, which was the average of the years from 1865 to 1869, would require an addition to the money at present in gold standard countries of about £400,000,000. It is certain that we can not hope to get additional supplies of gold to bring this about, and so, if any material improvement in general prices is to take place, it can only be by additions of silver or of uncovered notes.

Already, silver forms part of the gold standard to the value of £320,000,000 in dollars, 5 franc pieces, &c., and £91,000,000 in small change; and in order to find silver enough to add to the gold standard, so as to restore the prices of the period from 1865 to 1869, it would require more than all the silver of India, China, Japan, the Straits, and Mexico, that is, the whole of the silver standard countries, to be added to the money of the gold standard countries. It is an utter impossibility that the prices of a quarter of a century ago can be restored again, there is not metallic money in the world to restore them; and it can be asserted, with perfect safety, that there never will be sufficient of the precious metals to provide for the increased, and still increasing, populations in the gold standard countries, and to raise prices to anything like their former level. The known facts relating to the gold and silver mining industry lead us to expect that, for a time, the production of both metals may be increased, but they give no encouragement whatever to the idea that their production will be enormously or permanently increased; and, without an enormous increase in their united production, and the more extended use of silver in the currencies of the present gold standard countries, there can be no return to former prices. It is beyond the bounds of reasonable expectation that £400,000,000 of new money can be added to the gold standard from the gold and silver mines, in addition to the present supply, and, therefore, a return to the prices from 1865 to 1869 is physically impossible.

If we consider certain broad facts in relation to the demand for and the supply of gold, it will be evident that the fall in prices is due to the deficiency of gold in the gold standard countries. The following countries that were, in 1885 and 1891, on the gold standard, were, in the period from 1865 to 1869, on a silver standard or a paper money standard, namely, Germany, Holland, Italy, Scandinavia, and the United States. At the end of 1885, according to Mr. Haupt's figures, the amount of gold in these countries, which had all adopted the gold standard since 1871, was £254,000,000; and, if we deduct £44,000,000, as probably representing the amount of gold in these countries before they changed to the gold standard, we have then £210,000,000 of gold, which, if these countries had continued on the money systems they had previous to 1871, would have flowed into Great Britain, France, Bel-

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gium, Portugal, Spain, Turkey, and the British Colonies. These latter countries had, at the end of 1885, about £354,000,000 of gold amongst them; but, if they had had also the £210,000,000 of new gold at that time held by the countries which changed to the gold standard after 1871, their total holdings of gold would have been £564,000,000. At the end of 1891, Germany, and the other countries which have joined the gold standard since 1871, held £250,000,000 of new gold; while the above-named countries—Great Britain, France, &c.—had £350,000,000; whereas, if the £250,000,000 had flowed into the latter countries, they would have had £600,000,000 of gold.

The following table will show the distribution of the stock of gold:—

TABLE VII.

Countries on the gold standard before 1871.	End of 1885.	End of 1891.
Stock of gold	£354,000,000	£350,000,000
Countries which adopted the gold standard since 1871.		
Gold before joining the gold standard	44,000,000	44,000,000
Gold added since joining the gold standard	210,000,000	250,000,000
	£254,000,000	£294,000,000
Total gold in gold standard countries	£608,000,000	£644,000,000

It is evident, therefore, that while the annual supply of gold had fallen off considerably, though it is now increasing, the countries on the gold standard before 1871 might have maintained a range of prices not much lower than those ruling from 1865 to 1869, if the distribution of the annual supply of gold had continued the same as before 1871. But the above table shows that out of £644,000,000 of gold in the gold countries, £250,000,000 have been appropriated by countries which, before 1871, were not on the gold standard, and thus the countries which were on the gold standard had, at the end of 1891, only £350,000,000 of gold, instead of £600,000,000. It is needless to argue that there is no very great falling off in the annual supply of gold, when the countries that formerly received the most of it receive now less than three-fifths of it.

In considering the increased demand for gold, the amount in Government treasuries and banks ought to be taken into account. Professor Soetbeer has made an elaborate investigation into this subject, beginning with 1877, when he found the amount to be £144,000,000, and at his last date, in 1885, it was £252,000,000. Mr. Haupt's calculations since that time give the amount for 1886 at £227,000,000, and at the beginning of 1892 at £312,000,000. We know that within the last two years there has been an increase of the gold reserve in the banks in this country. This additional amount since 1877, that is, £168,000,000, has, therefore, been withdrawn from the active circulation, and there is so much less money acting upon the prices of commodities. **This is equivalent to a contraction of the currency.**

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The statistics of our gold coins in circulation are very imperfect, but it may be of interest to bring together a series of estimates, made at different times by various authorities:—

TABLE VIII.

Estimates of stock of Gold Coins in the United Kingdom.

	Date.	Total amount.	Per head of population.
		£	£ s. d.
Newmarch	1844	46,000,000	1 13 5
Newmarch	1856	72,500,000†	2 11 9
Miller*	1858	90,000,000	3 3 5
Jevons	1868	80,000,000	2 12 8
May*	1872	107,637,000	3 7 7
Gray*	1876	122,368,000	3 13 11
Palgrave	1883	100,000,000	2 16 2
Childers	1884	95,000,000	2 12 10
Haupt	1885	100,000,000	2 15 6
Goschen	1889	73,000,000	1 19 3
Martin and Palgrave	1890	69,000,000‡	1 16 10
Fremantle	1890	105,000,000	2 16 0
Haupt	1891	105,000,000	2 15 1

* Officials of the Bank of England.
† £70,000,000 to £75,000,000.
‡ Their calculation is that the maximum amount will not exceed £75,000,000.

It must be borne in mind that the above figures do not include the bullion or foreign coin at the Bank of England.

It will be seen that the Bank of England estimate for 1872 was £107,637,000, and for 1876, £122,386,000. The bullion and foreign coin, not included in the above, will vary in amount, but it will probably be from £10,000,000 to £15,000,000. Following the estimate of Mr. May in 1872, and of Mr. Gray in 1876, Mr. Palgrave's estimate at £100,000,000 in 1883, Mr. Childer's at £95,000,000 in 1884, Mr. Goschen's at £73,000,000 in 1889, and Messrs. Martin and Palgrave's at £69,000,000 in 1890—with a qualification that it can not exceed £75,000,000—all seem, looking to the movements of gold, to be approximately on the same general basis. I am strongly of opinion that these estimates are nearer the truth than that of Sir Charles Fremantle at £105,000,000 in 1890, and those of Mr. Haupt in 1885 and 1891 at £100,000,000 and £105,000,000 respectively, all of which I regard as too high.

TABLE IX.

India.

Five years ended March 31.	Average gold value of the rupee.	Average net imports of gold per annum.	Average net imports of silver per annum.	
	s. d.	Rx.	Rx.	
1860–64	1 11.85	5,889,538	10,181,781	7,920,388*
1865–69	1 11.43	5,835,117	9,981,112	
1870–74	1 10.80	3,073,776	3,598,271	
1875–79	1 8.975	639,595	6,418,692	6,503,575*
1880–84	1 7.775	4,128,613	6,205,349	
1885–89	1 6.287	3,083,670	6,896,685	
1890	1 4.566	4,615,304	10,937,876	11,378,399†
1891	1 6.089	5,636,172	14,175,136	
1892	1 4.733	2,413,792	9,022,184	

* Yearly average of 15 years.

† Average of 3 years only.

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Coinage of Silver.

	Total coinage per annum.	Recoined rupees per annum.	Bullion, &c., *i. e.*, new coinage per annum.	
	Rx.	Rx.	Rx.	
1860-64	8,733,995	152,486	8,581,509	6,583,326*
1865-69	7,900,929	151,211	7,749,718	
1870-74	3,446,617	27,865	3,418,752	
1875-79	7,421,864	51,072	7,370,792	6,530,584*
1880-84	5,372,955	469,890	4,903,065	
1885-89	7,759,403	441,509	7,317,894	
1890	8,551,158	619,042	7,932,116	8,781,455†
1891	13,163,474	305,195	12,858,279	
1892	5,553,970	.....	.....	

* Yearly average of 15 years.

† As the separate figures for bullion coined in 1892 are not yet obtainable, the total amount of coinage has been taken for this average, so the actual figures will be rather less.

As India is a typical silver standard country, the statistics in Table IX., in regard to silver in particular, and also to gold, will throw some light on the quantities of silver that were imported into India, and those that were coined, and the imports of gold and the relation of silver to its valuation in gold.

The five columns of net imports and coinage are the official figures of the India Office.

It will be seen from the above tables that, during the five years from 1870 to 1874, the average net imports of silver per annum were only Rx.3,598,271, and the new coinage from bullion was only Rx.3,418,752, a great deal less than at any other period of the 33 years under review, yet it was in September, 1873, that the French Government began to postpone the dates for the payment of the "bons de monnaie" issued at the mint in exchange for silver tendered for coinage. Notwithstanding this check on the flow of silver in France, and the delay in payment which was increased until the final suspension of coinage for private individuals in 1876, it will be seen that this abnormally low coinage in India, from 1870 to 1874, was not followed by any abnormally high coinage during the next fifteen years, as the average per annum was only Rx.6,530,584. It is true that the steps taken to interfere with the previous free conditions of the coinage of silver in France, in September, 1873, warned Prince Bismarck that France was unwilling to take into its circulation the silver that Germany wished to get rid of, and this caused him to retain a large amount of silver which it was his intention to sell but for this closing of the French mint. As, however, India had an open mint during the whole period, and was bound to coin all the silver offered, it must be evident that if there had been increased quantities of silver pressing on the world's markets, and causing that metal to become depreciated, they must have flowed to the open mints of India. Yet we see that nothing of the kind took place, and that, in presence of increased populations in India, the coinage of rupees from bullion rather declined in amount in the 15 years from 1875 to 1889 as compared with the 15 years from 1860 to 1874. We might therefore expect that, with increasing population and greater development by railway and other agencies in India, it would have required an increased amount of coinage to maintain the former level of prices, and thus as no such increased coinage of silver took place, we should expect silver to become somewhat appreciated and silver prices to fall, and the Indian officials testify that prices did fall. We have already shown that English prices of commodities, valued in silver, fell until 1886 when

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they rose to par, but they declined again, though in 1892 they rose, and are now above par. It will further be observed that the coinage from bullion in 1891 rose to Rx.12,858,279, but then that was followed in 1892 by a total coinage of only Rx.5,553,970. Silver has, however, now for the first time become somewhat depreciated. The years of course end at March 31st.

To sum up the leading facts in regard to gold, there is the undisputed evidence of statistics to demonstrate that the gold prices of commodities have fallen from 30 to 33 per cent. since the period from 1865 to 1869, that is, gold has increased in purchasing power from 43 to 50 per cent. We have shown that the supply of gold from the mines had fallen off as compared with the period from 1852 to 1861, though the supply is now increasing; that for the ten years, 1878 to 1887, this country did not receive on balance any gold at all, but exported £4,023,678, and thus had a deficient supply in that period of £45,000,000; that since 1871 a number of countries with large populations, which before that time did not possess the gold standard, had adopted it, and at the beginning of 1892 they had £44,000,000 of old gold, and £250,000,000 of new gold, without any additional supplies having been obtained from the mines; that the countries on the gold standard before 1871 have therefore been deprived of £250,000,000 of gold since 1871, which they would have received had the monetary systems existing before 1871 continued from 1871 till 1891; that the populations in the countries on the gold standard before 1871 have gone on increasing, and to them have been added, in the demand for gold, both the populations of the countries which adopted the gold standard since 1871, and the increase thereto since that time; that there has been a large increase in the use of gold in the arts in the last twenty years; that the amount of gold, namely £168,000,000, which has been added since 1877 to the gold reserves of banks and Government treasuries, has thus proportionately diminished the amount available throughout the world for the maintenance of prices; and that our own gold coinage in circulation has been considerably reduced in the last sixteen years, while the population has considerably increased.

Against these important figures, proving the fall in prices and the falling off in the amount of gold in the gold standard countries available for the maintenance of prices, the only consideration that can be adduced as tending to counteract the fall in prices is the greater economy in the use of gold in consequence of increased banking facilities, but this cause, though well entitled to consideration, was nevertheless in operation before 1871 as well as since.

While it would take too much space to enter into details regarding the practical effects of this appreciation of gold, it will suffice to give some indication of the enormous injury it has inflicted, if it is stated that the transfer of wealth from the landed and propertied classes, and from the mercantile, manufacturing, and producing classes generally in the United Kingdom, to the holders of securities, mortgages, annuities, &c., cannot be less than £2,000,000,000, due solely to the appreciation of gold. It is already a question how much further the holders of securities are to receive the assistance of a continually contracting currency to enable them to go on absorbing further and further the wealth of the producing classes. If no other relief can be obtained, it may be necessary to fix a commodity standard instead of a money standard for long-dated payments, as has been recommended by the principal economists of the last hundred years. Such a colossal unearned increment as has accrued to the holders of securities valued in gold during

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he last twenty years, in Europe and the United States, amounting to ıot less than from £7,000,000,000 to £9,000,000,000, is entirely unparılleled in the history of the world, and all other public questions sink ıto utter insignificance compared with it.

On the other hand, silver in London, after having for the last 20 ears increased in purchasing power to some extent, as compared with ıe period from 1865 to 1869, thus showing that it had appreciated and ıot depreciated, has now returned to a lower level of purchasing power, hat is, a higer level of prices, than 25 years ago. The net imports of silver into India and the coinage of new silver have continued so steady that they give no support to the theory that silver has depreciated in regard to commodities, except to a small extent since 1892. There is now, therefore, a divergence between the purchasing power of silver and that of gold to the extent of more than 50 per cent. as compared with the ratio between the two metals up to 1873, that is formerly £100 in gold would purchase a certain amount of silver, now £100 will purchase more than 50 per cent. in addition.

The amount of silver money in India, China, Japan, the Straits, and Mexico may be estimated to be about £390,000,000, while the silver money in the gold standard countries has already been stated at £320,000,000 for dollars, five franc pieces and other full legal tender money, and £91,000,000 for silver small change, making in all £411,000,000. The amount of silver in the gold standard countries is thus larger than the amount in the silver standard countries. And yet, though the £644,000,000 of gold is assisted by £651,000,000 of silver and paper money, so as to make up the gold standard, we find that after a fall in prices of more than 30 per cent., the tendency is still downwards. This shows beyond a doubt that there is not enough money in the gold standard countries to maintain the range of prices, and the very serious question arises as to how much further prices will fall under the existing system in the gold standard countries. As the evil has been brought about by deficiency in the supply of money, the steady fall in prices can only be arrested by some increase in the volume of money, and the only means of increasing the volume of money that has been recommended is by the gold standard countries of Europe adding more silver to the present circulation. There is no other practical proposal at present formulated, and this was the object that brought the Brussels Conference together, namely, to increase the use of silver in the gold standard countries, so as to arrest the fall in gold prices and in the gold price of silver and therefore of the rupee; and the Conference gave an almost unanimous support to the idea of the great importance of increasing the use of silver in the gold countries.

But besides the increased use of silver circulating as gold, there is another important point on which it can hardly be said that there is any division of opinion, and that is the fixing of a par of exchange between the silver countries and the gold countries, so as to put an end to the fluctuations between gold and silver. This is, without doubt, a very difficult question, because any ratio between the metals near the present ratio, will fix permanently on India and the other silver countries the present greatly increased burden in silver of their gold obligations, by fixing a permanently low gold price for the rupee; while a ratio that will relieve India of its unjust burden by materially raising the gold price of the rupee, will cause a fall in Indian prices of commodities. Still, the danger of a further fall in the gold price of the rupee, owing to the further appreciation of gold and the depreciation of silver which began, to a slight extent, in 1892, and which we may

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expect to continue if the United States should suspend the purchase of silver, is so great that the position of the Indian Government is very perplexing. If the European gold countries were to purchase a substantial amount of silver annually, and put it into circulation, that would be a benefit both to Europe and to India and the other silver countries. It would arrest the fall of gold prices and of the gold value of the rupee, and give time to Europe to see the effect of its increased use of silver. It is evident that the present difficulty is one exclusively arising from the deficiency of gold, or money passing as gold; and so long as the United States continue to coin silver at the present rate, there will not be any serious difficulty in the internal trade of the silver standard countries, except in regard to obligations to be paid in gold. The following figures may be taken as a rough estimate of the amount of silver money in the silver countries:

TABLE X.

Silver Money in Silver Standard Countries in 1892.

India	£180,000,000
China	150,000,000
Japan	20,000,000
Straits	24,000,000
Mexico	16,000,000
	£390,000,000

This is the valuation in gold, and in comparison with it the total amount of gold, silver, and paper money in the gold standard countries is £1,295,000,000. The currency problem, therefore, presents itself in four distinct questions, namely (1), how is the money in the gold standard countries to be increased; (2), how are the silver standard countries to be protected against the demonetisation of silver in the United States and in Europe, as well as from the probable increase of silver from the mines; (3), how is a fixed par of exchange to be established between gold and silver, that is between the £1,295,000,000 of money in the gold standard countries, and the £390,000,000 of money in the silver standard countries; and (4) what should be the ratio between gold and silver for the fixed par of exchange. It has already been pointed out that it would require £400,000,000 of money, that is more than all the money in the silver standard countries, to be added to the £1,295,000,000 in the gold standard countries, if the object were to restore the range of the gold prices of commodities that existed in the period from 1865 to 1869. That will give a broad and general idea, without pretending to exactness, as to our position in regard to gold prices in 1865 to 1869, and our position in regard to gold prices at the present time.

But the gold countries and the silver countries can only deal with what they have, and so whatever par of exchange might be fixed between gold and silver, it is impossible for the gold standard countries ever again to reach the range of prices of the period from 1865 to 1869. There is not gold and silver enough produced at present to restore the former range of prices, and there is practically no hope that sufficient gold and silver will ever be produced. The populations of the world on the gold standard are increasing so rapidly that they have entirely outrun the world's supply of gold, and even with the assistance of £411,000,000 of silver money, and £240,000,000 of uncovered paper money, that is of paper money in circulation against which no specie is held, the fall in prices continues at an alarming rate. It is further to

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be observed, as shown in the Table IV of the world's production of gold and silver, that of the £37,120,000 of silver in 1891, as estimated at the coining value in the United States of 16 to 1 of gold, the United States are now purchasing £14,000,000, and adding it to the £25,000,000 of gold, and thus making the supply of gold £39,000,000, and the supply of silver only £23,000,000, and yet the range of gold prices in September last was, according to Mr. Sauerbeck, the lowest of the century.

If the United States were to abandon their purchases of silver, the effect would be to withdraw £14,000,000 of money per annum from the gold standard countries and to make a large addition to the money of the silver standard countries. This would be an injury to the gold countries by withholding part of the present insufficient supply of money, and it would be an injury to the silver countries by throwing upon them additional silver that they do not require, for the purpose of maintaining their present range of prices. Any policy of the kind would materially widen still further the divergence between silver and gold, and be an enormous injustice to the small number of silver money countries. The proposal of Mr. Alfred de Rothschild, at the Brussels Conference, is therefore based upon the fact that the monetary difficulties are exclusively in connection with the gold standard, though silver is menaced by the possible action of the United States, and he proposes that the direction in which a remedy should be sought is in the coinage of a considerable amount of silver annually by the gold countries of Europe in conjunction with the United States, which at present is the only gold standard country that is trying, by coining a large amount of silver, to increase the total amount of money in the gold standard countries, and thus arrest the fall in gold prices. It is evident that as the monetary difficulty is caused by contraction of the gold currency, the remedy can only be found in some policy that will arrest this contraction, and thus arrest the fall of gold prices. As there has been no recommendation of increased issues of paper money, the only way in which the money of the gold standard countries can be increased is by the addition of silver.

Now, as a matter of fact, with £1,295,000,000 of money in the gold standard countries, and £390,000,000 of silver in the silver standard countries, it would be impossible to raise gold prices to any high point, under any ratio between silver and gold that has ever been proposed. It is safe to say that, even if the French ratio of 1 to 15½ could be restored at once, gold prices of commodities would not rise more than 10 per cent., though the gold price of silver would rise from 1s. 3d. to 1s. 11d., or thereabouts, and Indian prices would undergo a considerable though not a corresponding fall. But it is very doubtful whether the ratio even of 1 to 15½ would, if it was arrived at by degrees over the next ten years, do more than maintain the present level of the prices of commodities, and it might fail to maintain even the present level. Austria is coming on to the gold standard, Chili is following the same policy, and Russia may do so in the near future. If the United States were to suspend the coinage of silver dollars, and Europe were to refuse to add full legal tender silver to the gold standard, that is, in addition to the fractional silver currency that all gold countries coin, it is quite certain, notwithstanding some increase in the annual supply of gold, that the present level of the gold prices of commodities could not be maintained, at least for any length of time. Therefore it is imperative that more silver should be added to the gold standard in Europe, so as to arrest the fall in gold prices, and there need be no fear of adding silver, because if even the maximum quantity were added, the rise in

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prices would be very limited, though it would impart some new life to the depressed trade and industry of the country. Mr. de Rothschild's proposal for the European gold standard countries to purchase, say, £5,000,000 of silver annually for five years, at a price not to exceed 43d. per ounce, will, if the United States continue their present coinage of silver, arrest the fall in the gold value of the rupee, because the purchase will affect silver, though it is doubtful if it will have much effect on the gold prices of commodities, as the amount added to £1,295,000,000 will be so small; but for the time it will be a benefit, as well as an experience, which is much wanted in this country. The quantity of silver to be purchased is, however, too small, though this is at least a step in the right direction.

The objection to it is, that it is a policy which is not based on any principle, though in an imperfect manner it aims at the object in view, namely, of adding silver to the money of the gold countries, and of keeping back unnecessary additions to the money of the silver countries; but it fixes an annual sum, irrespectively of the amount of silver that may be produced, and it does not lead to any fixed par of exchange between silver and gold. As, however, the fact that Mr. de Rothschild put forward this proposal, coupled with a recommendation to raise our legal tender of silver from £2 to £5, it is to be presumed that our government, which alone in Europe has opposed all monetary reform in the last 16 years, is willing to take part in the carrying out of such a policy; and if so, that is in all probability the most that can be obtained at present. This country would raise the limit of tender of silver to £5, without any change in our coins, but the other countries would, we presume, add to their full legal tender silver, and not merely to their small change. It is hardly necessary to point out that if the United States and France were to demonetise their dollars and 5 franc pieces, amounting to nearly £240,000,000, there would be a further contraction of the money of the gold standard to an extent that could not fail to bring additional disaster on Europe and the United States. Even if they were only to re-coin their silver at something near the present ratio, it would be a serious contraction of the gold currencies, as the £240,000,000 would then be re-coined into about £160,000,000, by this act striking out of existence £80,000,000 of the present money in the gold countries. Any avoidable diminution of the quantity of money in the gold countries ought, in the strongest manner, to be deprecated, as the civilised world is interested in the full legal tender silver coins in the gold countries remaining as they are, and not being re-coined into heavier weights and fewer pieces, that is a less amount of money.

It is a most difficult problem to reconcile, under any proposal, the interests of India with those of the gold standard countries. There is no solution possible that will favour both, and bring with it no drawbacks. The only solution that would not in any way be a drawback to India would be the addition of about £400,000,000 of new money in the gold standard countries, as this would restore the purchasing power of gold to the *status quo* of 1865 to 1869, and the purchasing power of the rupee is just about the same as it was during that period. But this is impossible. To landowners, farmers, owners of house property, merchants, manufacturers, and producers generally, the fall in the gold valuation is in great measure irrevocable, there can be no possible approach to the prices of twenty years ago, and there is reason to fear that there may be a further fall in gold prices of land and commodities. Mr. de Rothschild's proposal is before us, it has presumably the approval of the Government, it was received favourably at the Monetary Confer-

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ence, it is a step in the right direction, and as there is no other proposal equally available, it would be well if it were accepted and acted on without delay. Mr. de Foville's proposal of silver warrants stands on a very different footing, as the value of the warrants, if I understand the proposal rightly, would fluctuate with the value of silver, and thus remain merely a commodity with a fluctuating gold value. Mr. de Rothschild's proposal, on the other hand, would, as I understand it, add the silver to be purchased to the existing silver money of full legal tender in the gold money countries, except in the case of this country, which would add to its existing silver coins, and this new silver would be coined into a definite amount of money, and would pass as gold, like the existing full legal-tender silver coins.

If, however, our monetary policy is to be based upon a permanent and automatic principle, bimetallism must be adopted, and it is certain that, if Mr. de Rothschild's proposal is accepted and acted upon, the experience that will be gained will lead to bimetallism. It will be a matter for arrangement between the Governments as to the ratio to be adopted, but whatever ratio is decided upon will establish a fixed par of exchange between silver and gold, between the silver countries and the gold countries; and all the countries using the precious metals as money will thus have the same relative prices of commodities, and the same purchasing power in their money. The bimetallic system is getting better understood, and we can not doubt that it will ultimately prevail. The adoption of it would render unnecessary in India any gold currency or gold standard without gold. If, however, a gold standard should be decided on for India, without bimetallism, then, for reasons that I gave 12 years ago, in the *Westminster Review*,* I prefer a gold standard without gold. In considering the question of the regulation of the Indian currency, and Mr. Lindsay's proposal to make the Bank of England responsible for it, there are various weighty objections to any system that withdraws from the Government in India the complete regulation of the currency. If the coinage of silver is to be limited or suspended, so as to arrest the fall in the gold value of the rupee, or to raise it to a higher gold value, the duty and responsibility of carrying out this policy ought to devolve upon the Indian Government on the spot. It would, however, be very much better for India if bimetallism were adopted rather than any limitation or suspension of coinage that would sever it from the other silver standard countries that lie so near it, by a divergence between the rupee and the silver money of the Straits, China, and Japan. But if India decided to cut adrift from the other silver countries, total suspension of coinage might be too drastic a measure, and it might be found more prudent to purchase and coin a fixed amount of silver per annum, larger or smaller in proportion as the object might be to arrest the further fall of the gold value of the rupee, or to raise its gold value—a question for the Indian Government and people.

But it may be well to point out an important distinction between the action of bimetallism and the action of the suspension or limitation of the coinage in India. Under bimetallism the gold value of the rupee could be raised to any figure, say, for example, to 1s. 11d., but Indian prices would not fall proportionately, as 1s. 11d. is to 1s. 3d., or 23 to 15. The reason is that under bimetallism, while the rupee went to 1s. 11d., gold prices of commodities would rise and silver prices would fall until they came to a meeting point. Gold prices would probably rise

* October, 1880, article "East Indian Currency and Exchange."

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about 10 per cent., while silver prices would fall about 20 to 25 per cent. But if under suspension of the coinage the rupee was put up to 1s. 11d., Indian silver prices would fall 30 to 35 per cent., for the simple reason that gold prices would remain entirely unaffected, and thus silver prices would require to fall just as far as the rupee rose. If under the suspension of coinage the rupee is raised to 1s. 8d. or 1s. 8½d., Indian silver prices would fall as far as they would do under bimetallism, with the rupee raised to 1s. 11d. This is one of the extremely important advantages that India would gain by bimetallism as compared with suspension of the coinage, and if the other advantages of bimetallism are considered, its importance to India at whatever ratio may be agreed upon is overwhelming.

The progress that bimetallism has made in the last ten years must be regarded as very satisfactory. Sir Louis Mallet, one of the delegates at the Paris Monetary Conference of 1881, at which the United States and the fourteen leading countries of Europe were represented, has recorded his opinion "that, on the occasion of the Monetary Conference of 1881 at Paris, it appeared probable that, if the assent of her Majesty's Government could have been obtained, such an arrangement as I have suggested (namely, bimetallism) would have been acceptable to the other Powers." So that, at that Conference, bimetallism was so thoroughly understood and accepted, that Sir Louis Mallet regarded all the other representatives, except those of our own Government, as prepared to accept on behalf of their Governments a proposal for bimetallism. Then our own Gold and Silver Commission of 1886 to 1888 found unanimously that bimetallism had, in the 200 years ended in 1873, preserved the ratio between silver and gold, so that it did not vary more than 3 per cent. above or 3 per cent. below the fixed ratio of 1 to 15½. The six monometallist Commissioners favoured bimetallism for every country except our own, and recommended that, to facilitate this object, the Bank of England should hold one-fifth of its specie in silver, as permitted by the Bank Charter Act of 1844. Sir John Lubbock and Mr. Birch, however, appended a note expressing a doubt whether the ratio could be permanently maintained. In the late Conference at Brussels, bimetallism was advocated by all the American representatives and by M. Tirard, now French Minister of Finance, and many of the European representatives. Last October Mr. A. J. Balfour, M. P., made a special speech at Manchester in favour of bimetallism, and Mr. Henry, Chaplin, M. P., advocated its adoption at the Agricultural Conference in London in December, and thus we find it increasingly understood and increasingly accepted. It is true that there are some violent opponents of the principle who would wish us to believe that the system never was, and never could be successful, and that the leading Governments and leading statesmen of the age are supporting a foolish proposal. Indeed, during the last year a volume was published by Dr. Giffen, entitled "The Case against Bimetallism," in which the crowning demonstration in favour of his views consists in ten pages of monthly quotations, from 1820 to 1847, of the premium on gold in Paris. The contention in the volume is that as gold was at a premium for purposes of export, the French standard was one of silver, and not of the two metals. Dr. Giffen speaks of "the transition from one standard to the other occurring at a flash." But this scheme of bimetallism being an alternating standard, and of the change from the one to the other at a flash is purely imaginary, and indeed is a complete misconception of the operation of bimetallism in France. Table XI, p. 231, shows the annual amount of gold and silver tendered at the French Mint,

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from 1806 till 1875, under the law of 1803, that is, during, practically, the modern bimetallic period.

TABLE XI.

GOLD AND SILVER COINED IN FRANCE CONVERTED AT £1 PER 25 FRANCS.

Period of Five Years.	Gold average per Annum.	Silver average per Annum.
1806–10	£1,201,136	£1,884,737
1811–15	3,299,503	5,208,029
1816–20	1,951,604	993,111
1821–25	465,748	3,526,432
1826–30	293,976	5,032,004
1831–35	826,149	6,576,120
1836–40	589,857	3,048,189
1841–45	159,326	3,033,286
1846–50	1,294,337	4,311,276
1851–55	12,669,263	1,431,755
1856–60	21,605,465	666,651
1861–65	7,667,357	175,088
1866–70	9,546,561	3,402,020
1871–75	2,475,213	2,742,776
	Total Gold.	Total Silver.
1803–75	£322,993,410	£217,640,234

Now this is the entire coinage of gold and silver from 1803 till 1875, and up till 1873, when interference with the system first began, the whole of this gold and of this silver was tendered at the French Mint on the ratio of 1 ounce of gold to 15½ ounces of silver. There was not a single year during the whole period in which silver was not tendered and coined, and gold was coined in every year except 1872 and 1883. It will be seen that on the resumption of specie payments by this country in 1821, the coinage of gold in France fell off in a very marked degree, and on the influx of gold from 1851 the coinage of silver fell off. So that the whole of the gold and silver coined in France from 1803 to 1875, amounting to the enormous sum of £322,993,410 of the former, and £217,640,234 of the latter, was tendered at the French Mint without premium and without discount for either metal, and it is certainly a complete vindication of the effectiveness of bimetallism that the French Mint should have received and coined in 73 years £540,633,644 of gold and silver at the value of 15½ to 1 for equal weights. Mr. Henry Hucks Gibbs, in a late pamphlet* clearly shows, amongst other interesting points, that the money price to be obtained for gold and silver at the French Mint was as exactly fixed for both metals, and continued so from 1803 to 1873, as the price of £3 17*s.* 9*d.* is for the ounce of gold at the Bank of England, and owners of silver in London, sending it to the French Mint, knew exactly what amount of English money they would receive for it at a given rate of exchange on Paris. Further, in the ordinary financial, banking, and commercial business of France, apart from the trade in bullion, coined money of gold or silver was never either at a premium or a discount, and this statement is not made without complete inquiry into the facts. Dr. Giffen imagines when gold or silver bullion or coin was at a premium for export, that in the banking and trading transactions of France a profit could be made by paying in the metal that was not at a premium for export. But the French people, apart from the bullion

* "The Fall in the Gold Price of Silver, and the Closing of the French Mint."

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dealers, were totally unaffected by the premium for export, and in this whole period never knew anything of the alternating standard which Dr. Giffen and others have conjured up out of their imagination, or of debts being paid in either more or less than legal tender money, gold, silver, or paper, any more than the customer of a London Bank knows when he sees in the papers that there is a premium on gold in London. He has no knowledge of it whatever from his bank account, and neither had the customer of any French bank in the period under consideration.

With most of the leading Governments and the leading Statesmen of Europe, the United States and India perfectly convinced of the effectiveness of bimetallism, and willing to adopt it if all the principal countries will join in an international arrangement; with bimetallism as the sole remedy discovered by the Gold and Silver Commission, after sitting for two years, in which they failed to find any defence for monometallism as it has operated during the last 19 years, it is not necessary to enter into any elaborate vindication of the bimetallic system. While Mr. de Rothschild's proposal, or something akin to it, will, for the present, give a breathing time in the divergence between gold and silver, it is nevertheless to bimetallism that we must come at last, if the nations of the world are to have equally, and without favour or prejudice, the benefit of all the gold and silver available for coinage; with a fixed par of exchange between silver and gold; and a single money standard, and the same relative prices in all countries using the precious metals as money. Without bimetallism, as we have seen during the last nineteen years, these advantages cannot be obtained, and therefore it is that we regard the final triumph of bimetallism as inevitable.

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